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WILLIAM T FUJIOKA
Chief Executive Officer

August 3, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE

Food Stamp Reauthorization

On July 27, 2007, the House passed H.R. 2419, the 2007 Farm Bill, by a vote of 231 to 191. The bill funds and reauthorizes the Food Stamp Program through Federal Fiscal Year (FFY) 2012. The County's Department of Public Social Services (DPSS) currently administers a total of $840 million in Food Stamp benefits annually for more than 620,000 recipients per month. Benefits are fully funded by the Federal government while administrative costs are shared by the Federal, state, and local governments.

H.R. 2419 changes the name of the Food Stamp Program to the Secure Supplemental Nutrition Assistance Program (SSNAP), which reflects the fact that the program has transitioned from the use of paper coupons to electronic benefit transfers. The bill contains County-supported provisions which would strengthen and expand nutrition support for low-income persons, including:

- Increased benefit levels and resource limits;
- An increase in the standard deduction and the deduction of child care costs, which are used in determining eligibility and benefits; and
- Extending the exclusion of military combat pay when determining eligibility.

The bill, however, does not include County-supported language, which would restore Food Stamp eligibility to all lawful permanent residents who are barred from receiving benefits for five years after entering the United States, or which would repeal cost allocation reductions enacted in 1998 which lowered the effective Federal administrative matching rate for California from 50 percent to 43 percent. In addition, the bill includes a provision opposed by the County, which would hold states financially liable for all Food Stamp over-issuances resulting from widespread automated system errors. DPSS has worked closely with the State to improve program administration and strengthen the County's automated eligibility systems. However, this provision would require the State and County to fully repay incorrectly issued benefits which may result from a system malfunction or programming error. Attached is a letter communicating the County's views on Food Stamp reauthorization, which DPSS sent to Representative Joe Baca (D-CA), who chairs the House Agriculture Subcommittee with jurisdiction over Food Stamps, and the County's Congressional delegation.

The President has indicated that he would veto the Farm Bill in its present form. One of the provisions that he strongly opposes is a tax on United States subsidiaries of foreign companies, which was included in the bill to help offset its additional Food Stamp costs. The Senate will not begin work on its version of the Farm Bill until after Labor Day, and it is highly unlikely that the Farm Bill will be enacted before the start of FFY 2008. This means that Congress most likely will enact a short-term extension of the Food Stamp Program and other programs which must be reauthorized by the Farm Bill.

FFY 2008 Homeland Security Appropriations Bill

On July 26, 2007, the Senate passed, 89 to 4, its FFY 2008 Homeland Security appropriations bill (H.R. 2638). The Senate bill includes $36.4 billion in discretionary spending, which is $2.3 billion more than requested by the President and $177 million more than the House version. The White House is threatening to veto the bill because its overall spending exceeds the amount requested by the President. Before passing H.R. 2638, the Senate approved a floor amendment by Senator Lieberman (I-CT), which provides $100 million for a new interoperable communications grant program. The House version includes $50 million for such a program. The Senate also approved $3.0 billion in emergency funding for border security, such as the hiring of an additional 23,000 Border Patrol agents and the completion of 700 miles of border fencing. As emergency spending, the $3.0 billion is in addition to the afore-mentioned $36.4 billion in discretionary spending.

As seen in the attached table, both Senate and House FFY 2008 Homeland Security appropriations bills provide more funding for Department of Homeland Security (DHS) grant programs of County interest than requested by the President, including the State Homeland Security Grant (SHSG), Law Enforcement Terrorism Prevention Grant, and Emergency Management Performance Grant programs, which are administered by the

County. The Senate bill includes $820 million for High-Threat Urban Area Grants, also known as the Urban Area Security Initiative (UASI), which is $20 million more than the President's budget request and the House bill. Conference Committee action to reconcile the differences between the House and Senate-passed bills will not begin until after Labor Day. The conference deliberations are likely to be affected by H.R. 1, the Implementing Recommendations of the 9/11 Commission Act of 2007, which the President signed into law today. As explained below, this legislation affects a number of state and local grant programs, which are funded through the annual Homeland Security appropriations bill.

Implementing Recommendations of the 9/11 Commission Act of 2007

On August 3, 2007, the President signed H.R. 1, the Implementing Recommendations of the 9/11 Commission Act of 2007. The bill includes provisions affecting grants to state and local governments relating to homeland security, interoperable communications, and emergency preparedness. It includes funding authorizations for the following programs of County interest, which would be subject to available annual appropriations:

- $850 million in FFY 2008; $950 million in FFY 2009, $1.05 billion in FFY 2010; $1.15 billion in FFY 2011, $1.30 billion in FFY 2012, and such sums as may be necessary in subsequent years for the Urban Area Security Initiative;

- $950 million a year in FFYs 2008 through 2012 and such sums as may be necessary in subsequent years for the State Homeland Security Grant;

- Such sums as may be necessary in FFY 2008, $400 million a year in FFYs 2009 through 2012 and such sums as may be necessary in subsequent years for a new Interoperable Emergency Communications Grant Program; and

- $400 million in FFY 2008; $535 million in FFY 2009, $680 million in FFY 2010; $815 million in FFY 2011, and $950 million for the Emergency Management Performance Grant.

The above authorization levels are significantly higher than the actual amounts appropriated for FFY 2007 or in the Senate or House version of the FFY 2008 Homeland Security appropriations bill. Given that the President already is threatening to veto this appropriations bill because it is too costly, it is unlikely that state and local grant programs will be even further increased for FFY 2008. In addition to authorizing annual funding for the UASI and SHSG programs, the bill includes language specifying how these programs are to be carried out, which generally is similar to current program guidelines developed by the Department of Homeland Security (DHS).

Urban Area Security Initiative (UASI): Under current program guidelines, DHS allocates UASI funds, by formula, based on the relative risk and threat of terrorism, to 45 urban areas. Under H.R. 1, DHS will assess the risk and threat of terrorism faced by the 100 most populous metropolitan statistical areas (MSAs) before determining the "high-risk urban areas" that will receive UASI funding. It is not required to award UASI funds to all 100 MSAs or to all areas within each MSA. This means that DHS could continue to award separate UASI grants to the Los Angeles-Long Beach area, which encompasses the County, and the Santa Ana-Anaheim area, which encompasses Orange County, even though both counties are in the same Los Angeles-Long Beach-Santa Ana MSA. It also could elect to change the boundaries of the urban areas that receive UASI funding. The bill does not specify which local jurisdiction shall administer UASI funds. Similar to current UASI guidelines, H.R. 1 also allows a state to retain up to 20 percent of UASI funds so long as such funds are spent for services or activities that benefit an eligible urban area.

State Homeland Security Grant: Under the PATRIOT Act and SHSG program guidelines, each state receives 0.75 percent of total available SHSG funding with the remaining 60 percent of funds allocated based on the relative risks and threat of terrorism. H.R. 1 provides that SHSG funds shall be allocated based on risk and threat, including factors, such as whether the state has an international border or a coastline bordering an ocean, which California meets. The bill includes a small state minimum (SSM) guarantee of 0.375 percent in FFY 2008, which will decrease annually until it falls to 0.35 percent in FFY 2012. The benefit to California of this lower SSM is partially offset by the fact that the SSM will apply to UASI as well as SHSG funds.

The bill also maintains current law requiring that states pass through at least 80 percent of the SHSG funds to local governments. However, it does not include a separate funding authorization for the Law Enforcement Terrorism Prevention Program, which is funded at $375 million in FFY 2007. Instead, H.R. 1 includes language requiring that no less than 25 percent of total combined UASI and SHSG funds be spent on law enforcement terrorism prevention activities.

Interoperable Emergency Communications Grant (IECG) Program: The bill would establish this new IECG program to assist state and local governments in improving interoperability. Funds would be allocated to states based on each state's relative risk of natural disasters, terrorism, or other man-made disasters and anticipated effectiveness of each state's proposed use of grant funds. There is a small state minimum guarantee that each state would receive at least 0.50 percent of total grant funding in FFY 2008, gradually decreasing to a SSM of 0.35 percent by FFY 2012. In comparison, under the risk-based formula used by the Department of Homeland Security to allocate $968.4 million in one-time Public Safety Interoperability Communications (PSIC) Grant funds, all states will receive at least 0.50 percent of total PSIC funding except for Vermont, which will receive about 0.46 percent of funding.

Similar to PSIC, H.R. 1 also requires states to pass through at least 80 percent of their allocations to local governments, and does not specify an intrastate allocation formula that states must use.

A separate section of H.R. 1 changes the PSIC Grant to require that at least $75 million, in aggregate, of the $1.0 billion in total PSIC funding be used to establish and implement a "strategic technology reserve" of communications technologies and devices, such as land mobile radio systems, which can be rapidly deployed to reestablish communications when existing critical infrastructure is damaged or destroyed in a major disaster.

We will continue to keep you advised.

WTF:SRH:GK
MAL:MT:acn

Attachments

c: Executive Officer, Board of Supervisors
County Counsel
All Department Heads
Legislative Strategist

Attachment I

County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES
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PHILIP L. BROWNING
Director

SHERYL L. SPILLER
Chief Deputy

July 25, 2007

The Honorable Joe Baca
United States House of Representatives
1527 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Baca:

On behalf of the County of Los Angeles, I am writing to communicate our views on the Food Stamp Program (FSP) provisions in H.R. 2419, the 2007 farm bill that will be on the House floor within the next few days. My department administers Food Stamps to over 620,000 recipients each month for a total $840 million in benefits annually. In recent years, we have significantly strengthened our administration of the program, including dramatic reductions in our benefit error rates and enhancing our public outreach efforts which have resulted in the enrollment of thousands of additional children and working adults for whom Food Stamps is a vital work support.

Benefit Improvements: We support the bill's benefit improvements, which include increasing benefit levels, lifting the extremely low cap on dependent care deductions, raising the standard income deduction which has been frozen since 1996, and indexing for inflation the $2,000 asset limit which has not been updated in 22 years. The purchasing power of FSP benefits have decreased every year due to inflation.

Ineligibility of Certain Legal Immigrants: We are disappointed that H.R. 2419 does not include language to restore Food Stamp eligibility to legal immigrants still barred from receiving benefits during their first five years in the U.S. as a result of the 1996 federal welfare reform law. This prohibition disproportionately hurts California, which has the nation's largest immigrant population. It also has shifted costs to the State of California, which has opted to provide State-funded food assistance to replace the lost Food Stamp benefits. In the State's 2006-07 fiscal year, this cost shift totaled more than $26 million.

Onerous Administrative Provisions: We oppose the following provisions in H.R. 2419, which would seriously undermine State and County administration of the program:

- <u>State Liability For Automated System Errors (Section 4009)</u>: The bill would hold States fully responsible for all Food Stamp benefit overissuances resulting from widespread automation system errors. A key element of our State and County efforts to improve program administration has been to strengthen our automated eligibility systems. These systems, however, are complex and are not completely error free, especially when system changes are being implemented. Our automated system has created significant administrative efficiencies and better client service, including by integrating eligibility determinations across multiple public assistance programs. Forcing our State and County, acting in good faith, to fully repay incorrectly issued benefits resulting solely from automated system errors is unnecessarily punitive. Technical assistance and positive fiscal incentives would be more effective means for improving the accuracy of automated systems.

- Overly Restrictive Merit System Personnel Requirement (Section 4006) - The bill would provide that only merit system employees may "represent the State agency in any communications with a prospective applicant, applicant, or recipient household regarding their application or participation..." This restriction would threaten all of our public outreach partnerships with community-based organizations (CBOs) and faith-based organizations (FBOs) that have succeeded in enrolling thousands of additional children and working families into the program. Furthermore, this restriction would force our County to terminate 20 outreach contracts it currently has with CBOs and FBOs, as well as hundreds of additional contracts our County anticipates may be signed in the near future. These contracts implement partnerships with non-merit system staff at CBOs and FBOs located in diverse neighborhoods who explain basic eligibility and other program requirements to potentially eligible low-income persons, and who also help them in preparing and submitting Food Stamp applications. The County's merit system staff is currently responsible for determining program eligibility and benefits, and the County is committed to retaining such responsibilities with them. The merit system personnel requirements in H.R. 2419 would undermine our best practice outreach strategies and should be stricken from the final version of the bill.

- Federal Share Of Administrative Costs - H.R. 2419 would extend cost-allocation reductions, first enacted in 1998, which lowers FSP's effective federal match rate for administrative costs below the statutory match rate of 50 percent in all but seven states. California is one of the most severely impacted states with an effective federal match rate of only 43 percent. Extending this cost allocation reduction results in a cost shift of nearly $60 million a year to the State.

We would appreciate any assistance that you can provide in addressing our concerns. If you have any questions on the County's positions on Food Stamp reauthorization or on how the program is administered in the County, please feel free to call me at (562) 908-8383.

Sincerely,

Philip L. Browning
Thanks for your help!

Philip L. Browning
Director

Attachment II

FEDERAL FISCAL YEAR (FFY) 2008 FUNDING LEVELS FOR PROGRAMS OF COUNTY INTEREST IN H.R. 2638 HOMELAND SECURITY APPROPRIATIONS BILL (in millions)

PROGRAMS	Enacted 2007	President 2008	House[1] 2008	Senate[2] 2008
State Homeland Security Grant	$525	$ 250	$550	$525
State and Local Law Enforcement Terrorism Prevention	375	0	400	375
High-Threat Urban Area Grants	770	800	800	820
Interoperable Communications Grants[3]	0	0	50	0
Regional Catastrophic Preparedness Grants[4]	0	0	50	100
Emergency Management Performance Grants	200	200	300	300
Firefighting Grants	547	300	570	560
SAFER[5]	115	0	230	140
Urban Search and Rescue Teams	25	25	35	30

Footnote

1 As passed by the House Appropriations Committee on June 15, 2007.

2 As passed by the Senate on July 26, 2007.

3 Represents a new grant to assist the State and local governments in meeting their interoperable communications needs.

4 Represents a new grant to support regional approaches to addressing catastrophic events.

5 SAFER refers to the Staffing for Adequate Fire and Emergency Response Program.